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FARMERS' NEWSLETTER

JULY 78/W-4

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FARMERS' NEWSLETTER

Introduction

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As a farmer, you know that just about everything affects farm prices and incomes. Deciding what to do about planting and marketing is not easy, so we specially prepared these charts to remind you of past trends that could help you decide about the future. Are they useful? If so, we may publish similar issues later. We'd like your reaction.

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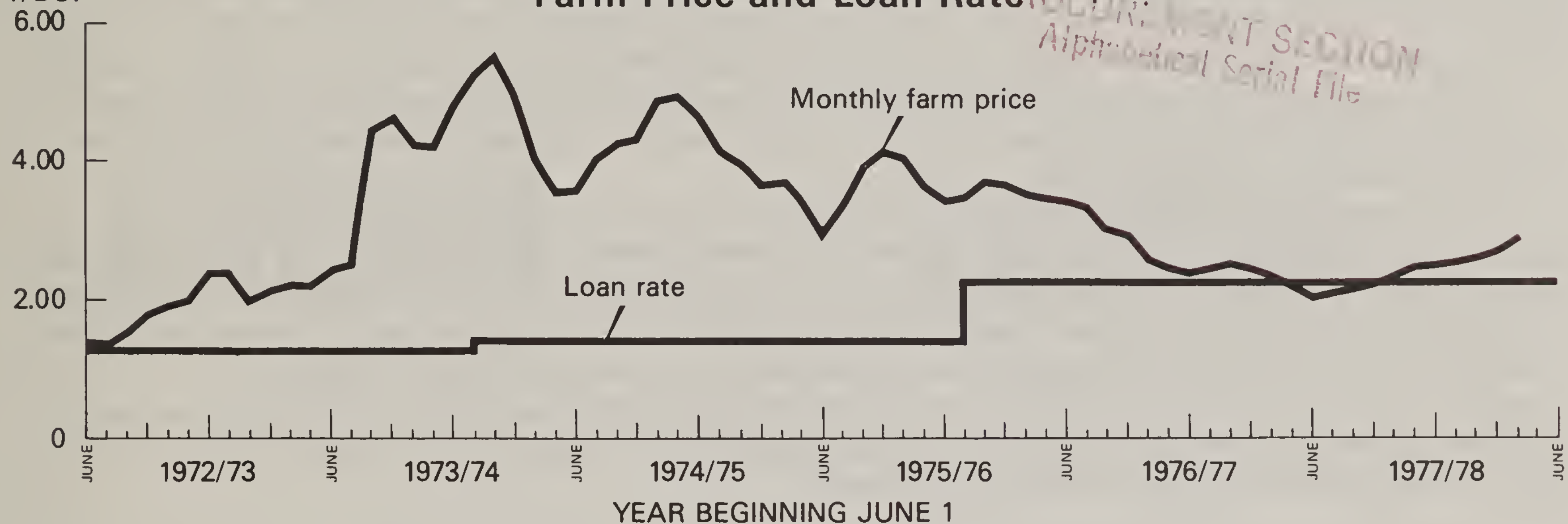
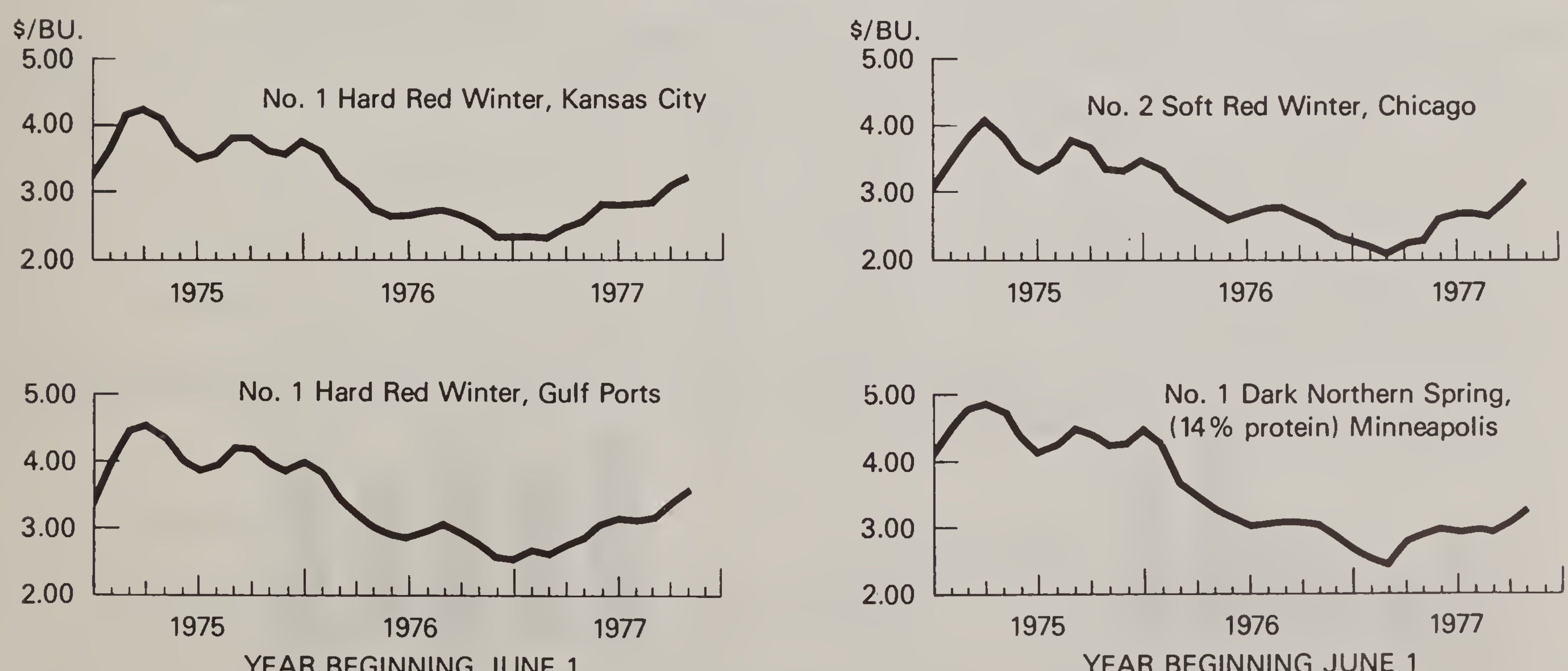
Prices

Reserve

Farm Price and Loan Rate

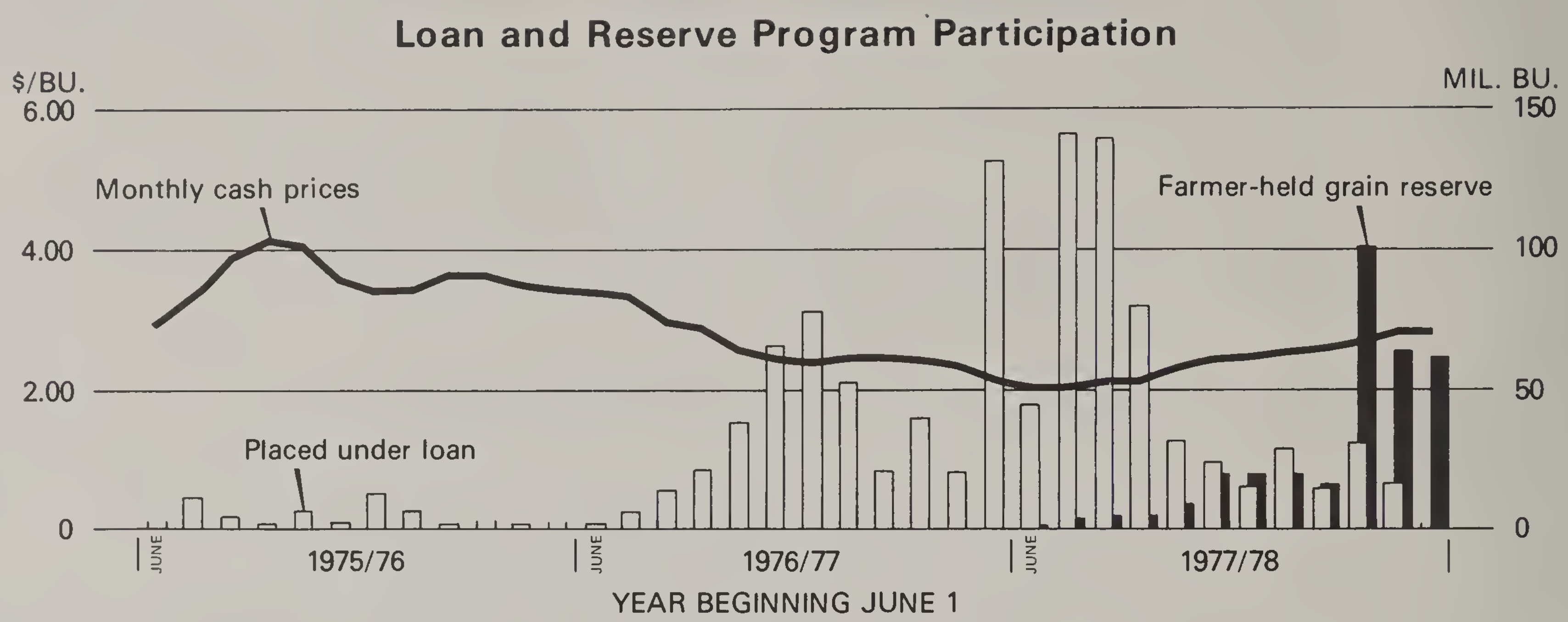


Cash Market Prices



Approved by the World Food and Agricultural Outlook and Situation Board and published by the Economics, Statistics, and Cooperatives Service, USDA.

Current Situation

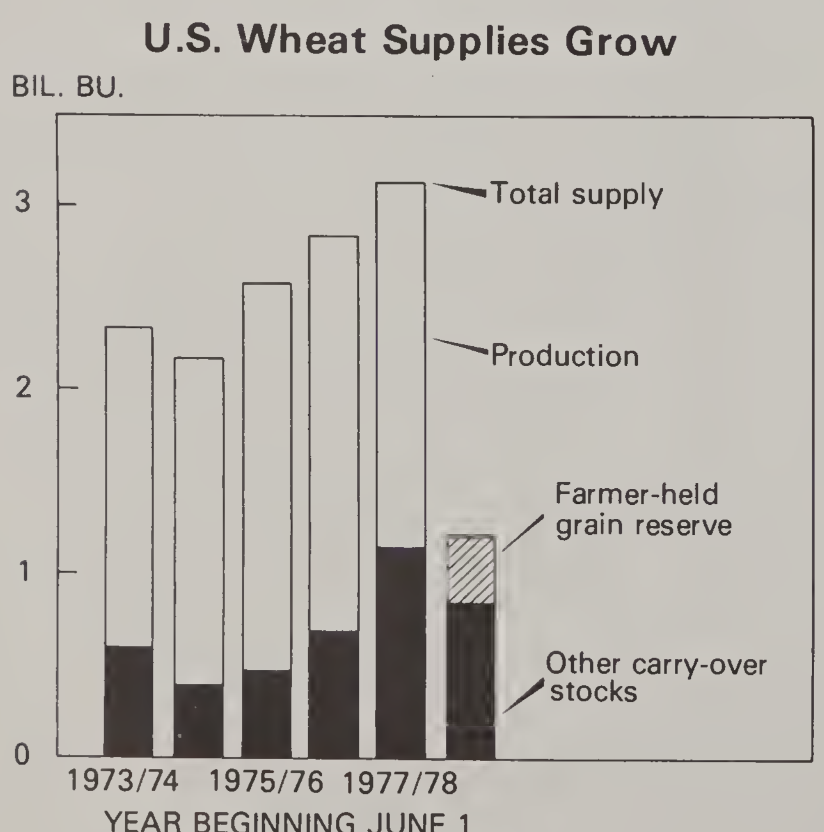


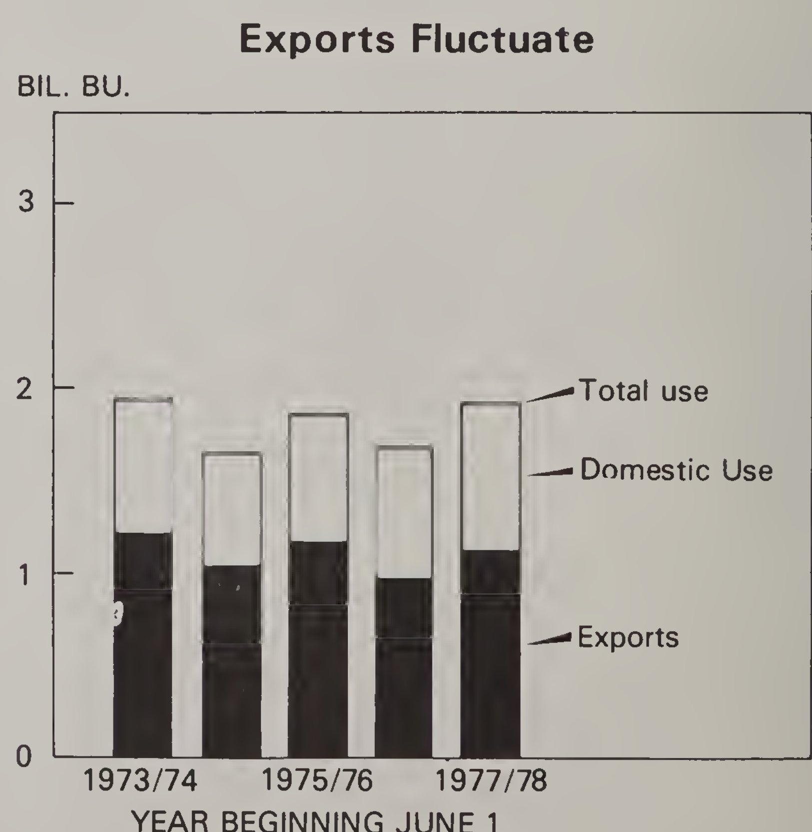
As shown by the top chart on the previous page, wheat prices rose rapidly in 1973. The primary reason was that short crops in foreign countries had depleted their stocks and greatly increased the export demand for U.S. wheat. From early 1974 to mid-1977, prices were under pressure from two big world harvests and three huge crops in the U.S. The price-support loan rate for the 1978 crop was raised recently to $2.35 a bushel.

The four small charts on the previous page show price changes for three classes of wheat over the past 3 years. Prices for Hard Red Winter Wheat are shown at two locations—Kansas City, and at Gulf Ports where wheat is loaded on ocean-going ships.

The chart above shows that as wheat prices declined (and the price-support level was raised) farmers placed large amounts under loan. In recent months, they shifted much of that wheat into the farmer-held grain reserve. By May 30, farmers had put 340 million bushels of wheat in the reserve, thus isolating 30 percent of the carryover stocks from the market. The principal price-lifting factors during the past 12 months were a very strong export demand, the set-aside and graze-out programs, and the grain reserve program.

Note in the chart below at left, the big crops produced in each of the past 3 years, and also the buildup of carryover stocks. The chart on the right shows that domestic use of wheat has been quite steady in recent years, while exports have been variable and decreasing.



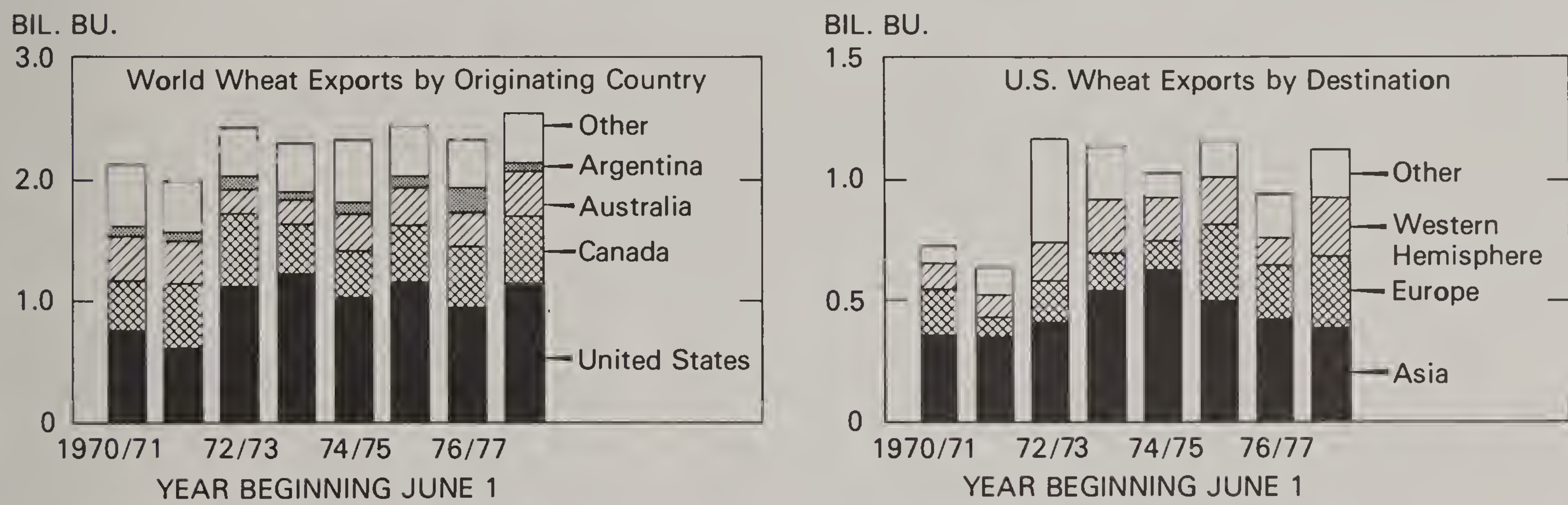


U.S. Scene

As shown below at left, the U.S. is by far the world's largest exporter of wheat, usually shipping about 40 percent of all wheat moving in international trade. Our principal competitor, Canada, provides about 21 percent of the world's import needs. Australia has had about 14 percent of the international market, and Argentina 6 percent. The U.S. was able to boost wheat exports sharply in 1974/75 because we had large stocks on hand. We have been able to continue making big shipments to foreign markets because of large harvests in each of the past 3 years.

The chart below at right shows that U.S. wheat goes to all parts of the world. Asia has been the best buyer, taking during the past 3 years about 40 percent of all shipments from U.S. ports. European countries have purchased 26 percent, Western Hemisphere nations (in Central and South America), 20 percent. All other areas combined account for the rest. The leading buyers have been Japan and the USSR. Japan is a steady buyer, while the USSR buys big only when its own crop is short. India, the Republic of Korea, and Egypt each have taken about half as much as either Japan or the USSR. India, like the USSR, is a big importer when its harvest is short. Thus, India was the largest importer in 1975/76, but has not been a big taker during the past two seasons.

U.S. Wheat Has Competition in World Market

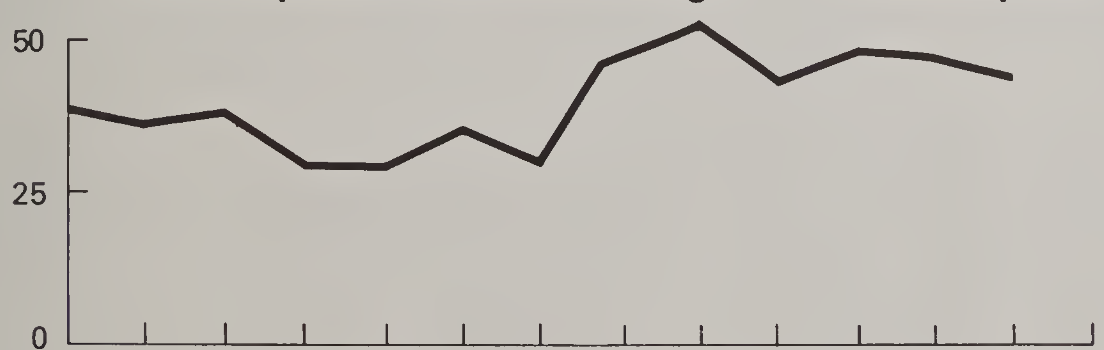


* Includes wheat equivalent of flour.

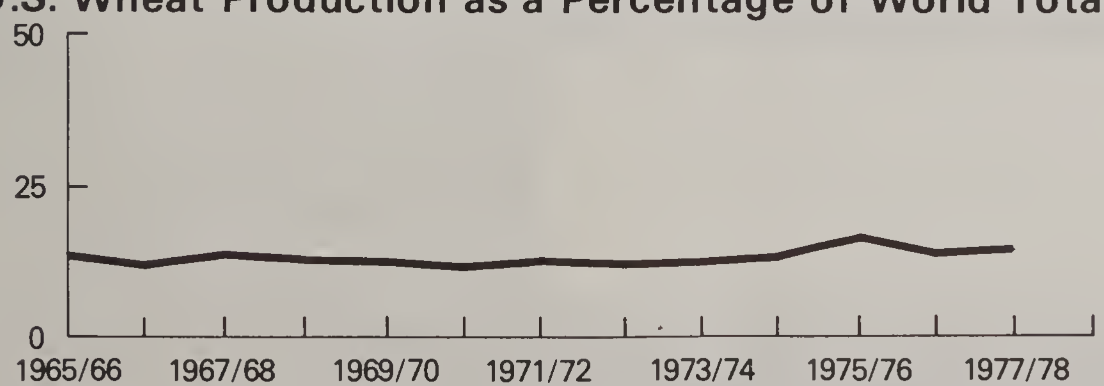
* Does not include flour.

World Scene

U.S. Wheat Exports as a Percentage of World Exports



U.S. Wheat Production as a Percentage of World Total



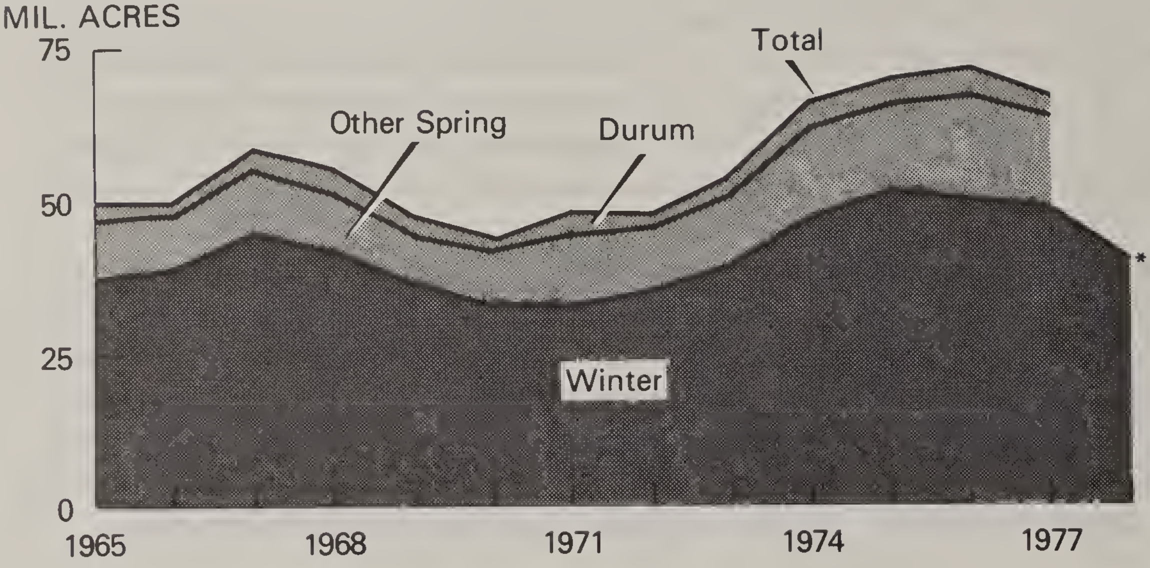
The U.S. share of world exports of wheat and flour combined has ranged from 30 percent in 1971/72 to 53 percent in 1973/74. The U.S. share depends largely on total world import needs and supplies available from other exporters.

For several years before 1974, U.S. farmers produced about 12½ percent of the world wheat supply. The big crops of the past 3 years boosted the U.S. portion to 15 percent.

This newsletter provides background information on the wheat situation. We'll cover the price outlook for 1978/79 in our next letter in late July.

Acreage and Production

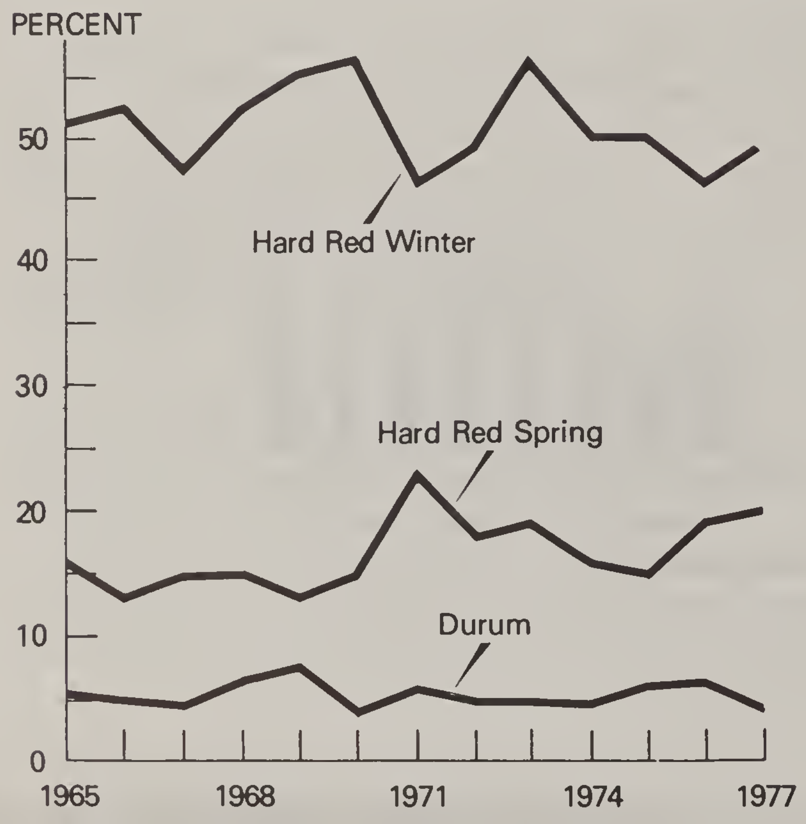
Wheat: Harvested Acreage



* Indicated June 1, 1978.

During the early 1970s, farmers harvested less than 50 million acres of wheat. Then, with increased foreign demand, higher prices and the suspension of acreage restrictions, farmers stepped up plantings. In 1976, they harvested more than 70 million acres, the most in 25 years. The decrease in acreage for harvest this year is mostly the result of the wheat set-aside and graze-out programs.

U.S. Wheat Production by Class as Percentage of Total Production



The U.S. produces more classes of wheat in volume than any other country. Of the two bread wheats, Hard Red Winter usually accounts for about half of the total wheat crops, and Hard Red Spring about a fifth. The cookie–pastry soft wheats, Soft Red Winter and White, provide about a fourth, and Durum, the pasta (macaroni and spaghetti) wheat, 5 percent.